



Susan Montee, CPA
Missouri State Auditor

October 2007

Village of Worth

Year Ended December 31, 2006



Office of
Missouri State Auditor
Susan Montee, CPA

October 2007

The following findings were included in our audit report on the Village of Worth, Missouri.

Prior to April 2007, minutes of board meetings were not always prepared. Current and any previous minutes did not always contain sufficient detail of matters discussed and actions taken. The village does not post notices of meetings or tentative meeting agendas as required by state law. In addition, village ordinances are not complete and up-to-date and ordinances have not been adopted to set the compensation of village officials.

The village does not publish or post semi-annual financial statements nor prepare annual budgets as required by state law. The village has not submitted annual financial reports to the State Auditor's Office since 1998 as required by state law. Also, the village deposits all state motor vehicle-related revenues into its checking account and does not separately account for these revenues as required by the Missouri Constitution.

The village does not have formal bidding or purchasing policies. Prior to April 2007, there was no documentation that the Board of Trustees reviewed or approved the payment of village expenditures prior to the disbursements being made. In addition, the village made several disbursements that were not adequately documented, or which do not appear to be a necessary or prudent use of village funds, including a check for \$200 made out to cash, three checks to restaurants and a convenience store, and \$400 to the village Booster Club to purchase a stove for the village Community Center.

The village does not prepare a ledger of receipts and disbursements and does not prepare bank reconciliations. There is no check register or other listing of receipts, disbursements, or cash balances. The village has accumulated a combined balance of \$41,335 in its checking account and certificates of deposit, while total disbursements for 2006 were only \$5,832. The board should review the overall financial condition and set the village tax rate to provide sufficient operating funds yet not create an excessive fund balance.

The village collector prepares individual property tax bills and marks these bills as paid when payment is received. However, a listing of taxes received is not prepared, making it difficult to trace specific payments to bank deposits. The village collector does not always deposit property taxes on a timely basis. The village collector does not prepare listings of uncollected delinquent taxes or ensure all tax book charges agree to total collections plus amounts remaining delinquent, and does not turn over the collection of delinquent taxes to the county collector as required by state law.

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YELLOW SHEET

VILLAGE OF WORTH, MISSOURI

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STATE AUDITOR'S REPORT



SUSAN MONTEE, CPA
Missouri State Auditor

To the Honorable Chairman
and
Members of the Board of Trustees
Village of Worth, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Village of Worth, Missouri. The scope of our audit of the village included, but was not necessarily limited to, the year ended December 31, 2006. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the village, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. The work for this audit was substantially completed by August 2007.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the village's management and was not subjected to the procedures applied in the audit of the village.

The accompanying Management Advisory Report presents our findings arising from our audit of the Village of Worth, Missouri.

A handwritten signature in black ink, appearing to read "Susan Montee".

Susan Montee, CPA
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA
Audit Manager: Mark Ruether, CPA

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

VILLAGE OF WORTH, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Board Meeting Minutes, Agendas, and Ordinances
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The Board of Trustees did not maintain minutes of some meetings, minutes did not always contain sufficient detail, and some minutes were not signed. The board does not post notices of meetings or tentative agendas. Village ordinances are not up-to-date and complete, and the compensation paid to board members is not set by ordinance.

- A. Prior to April 2007, minutes of board meetings were not always prepared. Current village officials provided a notebook with some minutes taken prior to April 2007, but the most recent minutes in this notebook were from May 2005. While current board members indicated meetings were not held monthly between May 2005 and April 2007, they also indicated that meeting minutes were most likely not prepared for some meetings. Minutes of the monthly board meetings have been prepared since April 2007. In addition, current and any previous minutes did not always contain sufficient detail of matters discussed and actions taken. Because of the lack of detail, it is difficult to determine if all votes and actions taken by the Board of Trustees were adequately documented and recorded.

Section 610.020, RSMo, requires minutes of meetings to be taken and retained by all governmental bodies and to include the date, time, place, members present, members absent, and a record of votes taken. Complete and accurate meeting minutes are necessary to retain a record of business conducted and to provide an official record of board actions and decisions.

- B. Some meeting minutes were not signed. Board minutes should be signed by the preparer and by the board chairman to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- C. The village does not post notices of meetings or tentative meeting agendas. Section 610.020, RSMo, requires that a tentative agenda and a meeting notice be posted at least 24 hours prior to all meetings of a public governmental body. The village should ensure that copies of agendas and meeting notices are retained to document compliance with state law.
- D. The village ordinances are not complete and up-to-date. Village officials have custody of an ordinance book, but the ordinances are very old, not filed in an orderly manner, and not sequentially numbered, thus hindering the village's ability to locate specific ordinances. Also, an index of all ordinances passed and rescinded by the village is not maintained which makes it difficult for the village to determine which ordinances are still active and which have been rescinded.

Since ordinances represent legislation which has been passed by the board to govern the village and its residents, it is important that the ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the village could help keep track of additions and changes made to the village ordinances.

- E. The village has not adopted ordinances to set the compensation of village officials. Current board members indicate it has been the village policy to pay the village collector \$50 per year. Also in 2006, the former board chairman was paid \$200 to serve as the village treasurer; however, current board members believe that compensation has not normally been paid to the village treasurer. Section 80.240, RSMo, allows the board to appoint certain officials and to fix their compensation.

In 2007, the village approved to compensate a current board member for mowing the village land. This same board member was also compensated for mowing services in 2006, totaling \$650; however prior board approval of this arrangement could not be located in the board minutes. There is no documentation that the board solicited any bids or proposals for mowing services. Section 105.458, RSMo, states that no member of a governing body of any political subdivision shall perform any service for the political subdivision for compensation other than the compensation provided for the performance of his official duties.

To ensure compliance with state law, the board should establish the compensation of all village officials by ordinance. In addition, the board should refrain from providing additional compensation to board members for services beyond the performance of their official duties.

WE RECOMMEND the Board of Trustees:

- A. Ensure detailed minutes of all meetings are prepared and retained.
- B. Ensure meeting minutes are signed by the preparer and the board chairman to attest to their completeness and accuracy.
- C. Ensure notices and tentative agendas of all board meetings are posted and retained.
- D. Update and codify the village's ordinances and ensure a complete set of ordinances is maintained. In addition, the village should consider establishing an index of all village ordinances passed and rescinded, and ensure all ordinances are up-to-date and are being enforced.
- E. Establish all officials' compensation by ordinance, and refrain from providing compensation to board members for services performed beyond their official duties.

AUDITEE'S RESPONSE

- A. *We agree and have been taking minutes since April 2007.*
- B&C. *These recommendations will be implemented immediately.*
- D. *We will contact an attorney and determine the best way to update the village ordinances.*
- E. *We agree and will set all compensation by ordinance.*

2. Financial Reporting, Budgets, and Restricted Revenues

The village does not post semi-annual financial statements nor submit annual financial reports to the State Auditor's Office as required by state law. The village does not prepare budgets and has not established a separate accounting for motor vehicle-related revenues.

- A. The village does not publish or post semi-annual financial statements. Section 80.210, RSMo, requires that the Board of Trustees prepare and publish semi-annual financial statements in a local newspaper, or if there is no local newspaper, to post semi-annual financial statements in at least six of the most public places in the village. In addition, Section 80.220, RSMo, states that the village can be fined if the Chairman of the Board neglects to publish or post such statements.
- B. The village has not submitted annual financial reports to the State Auditor's Office since 1998. Section 105.145, RSMo, requires political subdivisions to file annual reports of the financial transactions of the political subdivision with the State Auditor's Office within the time prescribed by the State Auditor (currently within four months of the end of the fiscal year for un-audited financial statements and within six months of the end of the fiscal year for audited financial statements).
- C. The village does not prepare annual budgets. Section 67.080, RSMo, provides that no expenditures of public monies shall be made unless it is authorized in the budget.

Sections 67.010 through 67.080, RSMo, set specific guidelines as to the format, approval, and amendment of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of village operations and provide a means to effectively monitor actual costs and revenues.

- D. The village deposits all state motor vehicle-related revenues into its checking account and does not separately account for these revenues. Article IV, Section

30 of the Missouri Constitution requires that motor vehicle-related revenues apportioned by the State of Missouri be expended for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. In 2006, the village received \$3,960 in state motor vehicle-related revenues and spent \$2,350 for street lighting and \$700 for street gravel. The village should establish a separate fund or separate accounting to ensure the motor vehicle-related revenues are spent in accordance with the state constitution.

WE RECOMMEND the Board of Trustees:

- A. Publish or post semi-annual financial statements as required by state law.
- B. Submit annual reports of financial transactions to the State Auditor's Office as required by state law.
- C. Prepare annual budgets which include all information required by state law and/or necessary to provide a complete financial plan for the village.
- D. Ensure restricted revenues are used only for their intended purposes.

AUDITEE'S RESPONSE

A-D. We agree and will implement these recommendations. A village computer is being purchased which will aid in preparing village financial records.

3. Expenditures

The village does not have formal bidding or purchasing policies and board approval is not documented prior to the payment of village expenditures. In addition, the purpose of several expenditures was not documented, and some disbursements do not appear necessary or prudent uses of village funds.

- A. The village does not have formal bidding or purchasing policies. While the village normally purchases only a few items each year, formal bidding or purchasing policies would help ensure that the village obtains goods and services at a reasonable price.

For example, the board purchased a used tractor in 2007 for \$6,500. The board did not solicit bids for this purchase or otherwise document that a reasonable price was paid, such as calling other vendors for price quotes or documenting a market value for a similar piece of equipment. In addition, the board purchased tractor tires in 2007 for \$174 without obtaining bids or price quotes.

Formal bidding and purchasing procedures would provide a framework for economical management of village resources and help ensure the village receives

fair value for all purchases. For purchases in which soliciting bids may not be practical, such as the purchase of used equipment, price quotes or other documentation of the fair market value of the item should be obtained to ensure a reasonable price is paid.

- B. Prior to April 2007, there was no documentation that the Board of Trustees reviewed or approved the payment of village expenditures prior to the disbursements being made. Based on discussions with current and former board members, it appears that disbursements were made even though regular board meetings were not held prior to April 2007, and that the former board chairmen issued village checks without approval from the majority of the board. Prior to April 2007, only one signature was needed on checks (the board chairman's), but since April 2007, two board members are required to sign checks. Also, board minutes prepared since April 2007 indicate board approval of bills to be paid, but the individual bills are not listed.

Expenditures made from village funds should be reviewed and approved by the Board of Trustees before payment is made to ensure all disbursements represent valid operating costs of the village. To adequately document the board's review and approval, a complete listing of all bills to be paid should be prepared and included with the board minutes.

- C. The village made several disbursements that were not adequately documented, some which appear questionable or unnecessary for village operations, as follows:
1. In June 2006, a village check for \$200 was made out to cash. The former board chairman indicated that this check was to reimburse his father-in-law for cleaning out ditches along village streets. In July 2006, \$30 was paid to a board member, who indicated this payment was also for cleaning out ditches along village streets. In early 2007, \$150 was paid to a village resident (currently a village board member) for snow removal on village streets. The village had no documentation to support the purpose of these payments.
 2. During 2006 and 2007, three checks totaling \$78 were made to local restaurants and a convenience store. The former village chairman indicated these were for personal purposes and were not for valid village purposes, and indicated he would reimburse the village for these amounts.
 3. Current board members indicated the village purchases meat trays for the families of deceased village residents. In 2006, one such purchase for \$32 was made. Such purchases do not appear to be a necessary or prudent use of village funds.
 4. In December 2006, \$400 was paid to the village Booster Club, the organization which runs the village Community Center. Current board

members indicated this was to purchase a stove for the Community Center. Board members indicated that the village does not pay rent for the use of the Community Center to hold village board meetings, so the stove purchase was made in lieu of paying rent. The village did not have documentation to support the purpose of this payment. In addition, a village board member is also a board member of the Booster Club, and there was no documentation that this board member abstained from the decision to purchase this stove.

It appears that some of these disbursements could have been prevented, or better documentation could have been obtained had regular board meetings been held, as noted in previous findings. Disbursements should only be made for reasonable and necessary purposes to operate the village, and the purpose of all disbursements should be adequately documented. In addition, the village should seek reimbursement from the former board chairman for the \$78 disbursed to local restaurants.

WE RECOMMEND the Board of Trustees:

- A. Establish formal bidding and purchasing policies and maintain documentation to ensure the city receives fair value for all major purchases.
- B. Review and approve all expenditures of village funds prior to the disbursements being made.
- C. Ensure expenditures made with village funds are reasonable and prudent uses of those funds and are necessary for village operations, and the purpose of all expenditures is adequately documented. In addition, the board should request reimbursement of \$78 from the former board chairman for the disbursements made to local restaurants.

AUDITEE'S RESPONSE

- A. *We agree and will document all purchasing decisions in the minutes.*
- B. *We agree and are already doing this.*
- C. *We will ensure the purpose of all village expenditures is documented and will request reimbursement from the former board chairman. The purchase of meat trays for deceased residents has been done for years and we believe this is an appropriate use of village funds and will continue to do so.*

4.**Accounting Controls and Procedures**

The village does not prepare a ledger of receipts and disbursements and does not prepare bank reconciliations. Summary financial information is not prepared for the Board of Trustees' review and approval. Invoices are not filed in an orderly manner, controls over property taxes need to be improved, and village officials are not bonded.

- A. The village does not prepare a ledger of receipts and disbursements and does not prepare bank reconciliations. Duplicate deposit slips and check stubs are retained but there is no check register or other listing of receipts, disbursements, or cash balances. In addition, monthly bank statements are retained, and current board members indicate that they review the bank statements for accuracy, but bank reconciliations are not prepared. Ledgers of receipts and disbursements and monthly bank reconciliations are necessary to ensure all cash transactions are recorded and accounted for, and to ensure errors and omissions are detected and corrected in a timely manner.
- B. Summary financial information is not prepared for the Board of Trustees' review and approval. Since April 2007, the board minutes include documentation of the village's checking account and certificates of deposit balances; however, a summary of all receipts and disbursements is not prepared. To adequately inform the board of all financial activity and to allow the board to monitor the financial condition of the village, monthly reports summarizing all village receipts, disbursements, and cash balances should be prepared and included with the monthly board minutes.

In addition, at December 31, 2006, the village has accumulated a combined balance of \$41,335 in its checking account and certificates of deposit, while total disbursements for 2006 were only \$5,832. While accumulating funds for future use may be desirable, the board should review the overall financial condition and set the village tax rate to provide sufficient operating funds yet not create an excessive fund balance.

- C. Invoices to support village disbursements are not filed in an orderly manner, making it difficult to locate invoices and to ensure invoices are maintained for each disbursement. Current board members maintain a file of some recent invoices for 2006 and 2007 which were not filed in any particular order, and older invoices are filed haphazardly in a filing cabinet. As noted in Management Advisory Report 3.C., invoices or other supporting documentation could not be located to support some disbursements. To ensure the propriety of all disbursements, invoices and other supporting documentation should be retained for each disbursement and filed in an orderly manner.

D. Our review noted the following concerns regarding controls over property taxes:

1. The village collector prepares individual property tax bills and marks these bills as paid when payment is received. However, a listing of taxes received is not prepared, making it difficult to trace specific payments to bank deposits. To ensure all property tax receipts are adequately accounted for and deposited, the village collector should prepare listings of property taxes as they are received and reconcile these listings to bank deposits.
2. The village collector does not always deposit property taxes on a timely basis. Most property taxes are collected in December and normally only one deposit is made in late December or early January. To reduce the risk of loss, theft, or misuse of funds, property tax receipts should be deposited on a timely basis.
3. The village collector does not prepare listings of uncollected delinquent taxes or ensure all tax book charges agree to total collections plus amounts remaining delinquent. In addition, the village does not turn over the collection of delinquent taxes to the county collector as required by state law.

Section 80.480, RSMo, requires the village collector to prepare a list of delinquent taxes remaining uncollected on the first day of January of each year. This section also requires the board of trustees to examine and approve the list, credit the village collector for the amount of uncollected taxes, and turn over the collection of delinquent taxes to the county collector.

To ensure all property tax transactions are accounted for and to ensure compliance with state law, the village collector should prepare an annual report as of January 1 summarizing total taxes charged, total collections, and a listing of delinquent taxes due, and ensure the total charges equal total collections plus amounts remaining delinquent. The village board should review and approve the report and the delinquent tax listings, and turn over the collection of delinquent taxes to the county collector.

E. No village officials are bonded. Section 80.250, RSMo, requires bond coverage of at least \$1,000 each for the village collector and treasurer. Failure to properly bond all persons with access to assets exposes the village to risk of loss.

WE RECOMMEND the Board of Trustees:

- A. Ensure a ledger is maintained of all receipts, disbursements, and cash balances, and ensure monthly bank reconciliations are prepared.

- B. Ensure summary monthly financial information is prepared for board review and approval and is filed with the board minutes. In addition, the board should review the village's overall financial condition and set the village tax rate to provide sufficient operating funds but does not create an excessive fund balance.
- C. Ensure invoices or other supporting documentation are maintained for each disbursement and are filed in an orderly manner.
- D. Ensure the village collector:
 - 1. Prepares listings of individual property tax receipts and reconciles the receipts to bank deposits.
 - 2. Deposits receipts in a timely manner.
 - 3. Prepares annual statements of property tax charges, collections, and amounts remaining delinquent as of January 1. In addition, the board should turn over the collection of delinquent taxes to the county collector as required by state law.
- E. Obtain bond coverage for all officials with access to village assets.

AUDITEE'S RESPONSE

A-E. We agree and will implement these recommendations. Regarding Part B, we will review the village's finances and consider spending money for improvements to the village streets and ditches.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

VILLAGE OF WORTH, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The village of Worth is located in Worth County. The village was incorporated in 1911. The population of the village in 2000 was 94.

The village government consists of a five-member board of trustees. The members are elected for 2-year terms. The chairman, collector, and secretary/treasurer are appointed by the board from the members. The Board of Trustees during the year ended December 31, 2006, are identified below.

Board of Trustees	Dates of Service During the Year Ended December 31, 2006	Compensation Paid for the Year Ended December 31, 2006
John Infante, Chairman (1)	January 1 to December 31	\$200
Terry Bennett, Collector (2)	January 1 to December 31	100
Melbourne Fletchall, Member (3)	January 1 to April 30	0
Marlyn Bennett, Member (2) (3)	May 1 to December 31	0
Butch Hubbard, Member (3)	January 1 to April 30	0
Sharron Dozier, Member (3) (4)	May 1 to December 31	650
Leonard Roush, Member (3)	May 1 to December 31	0

- (1) Compensation for serving as Secretary/Treasurer. Esther Roush was elected to the board and appointed Chairman in April 2007.
- (2) Gary Hubbard was elected to the board in April 2007 to replace Marlyn Bennett and was appointed Collector. Terry Bennett was compensated for serving as Collector for 2005 and 2006.
- (3) No elections were held in April 2006. Marlyn Bennett, Sharron Dozier, and Leonard Roush were appointed to fill the positions vacated by Melbourne Fletchall, Butch Hubbard, and a position that had been vacated in 2005.
- (4) Appointed Secretary/Treasurer in April 2007. Compensation for mowing the village's land.

Assessed valuations and tax rates for 2006 were as follows:

ASSESSED VALUATIONS

Real estate	\$	121,444
Personal property		<u>71,265</u>
Total	\$	<u>192,709</u>

TAX RATE PER \$100 ASSESSED VALUATION

		<u>Rate</u>
General Fund	\$.5000

A summary of the village's financial activity for the year ended December 31, 2006, is presented below:

RECEIPTS

Property taxes	\$	1,458
Franchise fees		1,195
Motor fuel and motor vehicle fees		3,960
Interest		<u>988</u>
Total Receipts		<u>7,601</u>

DISBURSEMENTS

Street lighting	2,350
Gravel	700
Chemicals	100
Mowing and maintenance	910
Insurance	70
Trash hauling	671
Board compensation	300
Stove for community center	400
Miscellaneous	<u>331</u>
Total Disbursements	<u>5,832</u>

Receipts Over (Under) Disbursements	1,769
Cash Balance, January 1, 2006	<u>39,566</u>
Cash Balance, December 31, 2006	<u>\$ 41,335</u>